

poration under section 4261 of the Employee Retirement Income Security Act of 1974.

**(2) Mandatory application**

A plan sponsor who has determined a resource benefit level for an insolvency year which is below the level of basic benefits shall apply for financial assistance from the Pension Benefit Guaranty Corporation under section 4261 of the Employee Retirement Income Security Act of 1974.

**(g) Financial assistance**

Any amount of any financial assistance from the Pension Benefit Guaranty Corporation to any plan, and any repayment of such amount, shall be taken into account under this subpart in such manner as determined by the Secretary.

(Added Pub. L. 96-364, title II, §202(a), Sept. 26, 1980, 94 Stat. 1282; amended Pub. L. 109-280, title II, § 213(a), Aug. 17, 2006, 120 Stat. 917.)

REFERENCES IN TEXT

Section 402A(g)(5) of the Employee Retirement Income Security Act of 1974, referred to in subsec. (a), is classified to section 1322a(g)(5) of Title 29, Labor.

Section 4261 of the Employee Retirement Income Security Act of 1974, referred to in subsecs. (b)(3) and (f), is classified to section 1431 of Title 29.

AMENDMENTS

2006—Subsec. (d)(1). Pub. L. 109-280 substituted “5 plan years” for “3 plan years” the second place it appeared and inserted at end “If the plan sponsor makes such a determination that the plan will be insolvent in any of the next 5 plan years, the plan sponsor shall make the comparison under this paragraph at least annually until the plan sponsor makes a determination that the plan will not be insolvent in any of the next 5 plan years.”

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-280, title II, §213(b), Aug. 17, 2006, 120 Stat. 918, provided that: “The amendments made by this section [amending this section] shall apply with respect to the determinations made in plan years beginning after 2007.”

SUBPART D—TREATMENT OF WELFARE BENEFIT FUNDS

Sec.

- 419. Treatment of funded welfare benefit plans.
- 419A. Qualified asset account; limitation on additions to account.

**§ 419. Treatment of funded welfare benefit plans**

**(a) General rule**

Contributions paid or accrued by an employer to a welfare benefit fund—

- (1) shall not be deductible under this chapter, but
- (2) if they would otherwise be deductible, shall (subject to the limitation of subsection (b)) be deductible under this section for the taxable year in which paid.

**(b) Limitation**

The amount of the deduction allowable under subsection (a)(2) for any taxable year shall not exceed the welfare benefit fund’s qualified cost for the taxable year.

**(c) Qualified cost**

For purposes of this section—

**(1) In general**

Except as otherwise provided in this subsection, the term “qualified cost” means, with respect to any taxable year, the sum of—

- (A) the qualified direct cost for such taxable year, and
- (B) subject to the limitation of section 419A(b), any addition to a qualified asset account for the taxable year.

**(2) Reduction for funds after-tax income**

In the case of any welfare benefit fund, the qualified cost for any taxable year shall be reduced by such fund’s after-tax income for such taxable year.

**(3) Qualified direct cost**

**(A) In general**

The term “qualified direct cost” means, with respect to any taxable year, the aggregate amount (including administrative expenses) which would have been allowable as a deduction to the employer with respect to the benefits provided during the taxable year, if—

- (i) such benefits were provided directly by the employer, and
- (ii) the employer used the cash receipts and disbursements method of accounting.

**(B) Time when benefits provided**

For purposes of subparagraph (A), a benefit shall be treated as provided when such benefit would be includible in the gross income of the employee if provided directly by the employer (or would be so includible but for any provision of this chapter excluding such benefit from gross income).

**(C) 60-month amortization of child care facilities**

**(i) In general**

In determining qualified direct costs with respect to any child care facility for purposes of subparagraph (A), in lieu of depreciation the adjusted basis of such facility shall be allowable as a deduction ratably over a period of 60 months beginning with the month in which the facility is placed in service.

**(ii) Child care facility**

The term “child care facility” means any tangible property which qualifies under regulations prescribed by the Secretary as a child care center primarily for children of employees of the employer; except that such term shall not include any property—

- (I) not of a character subject to depreciation; or
- (II) located outside the United States.

**(4) After-tax income**

**(A) In general**

The term “after-tax income” means, with respect to any taxable year, the gross income of the welfare benefit fund reduced by the sum of—

- (i) the deductions allowed by this chapter which are directly connected with the production of such gross income, and